

MINUTES OF THE CITY COMMISSION BUDGET WORKSHOP
THURSDAY, JULY 24, 2014

The City of Leesburg Commission held a budget workshop Thursday, July 24, 2014, in the Commission Chambers at City Hall. Mayor Christian called the meeting to order at 5:30 p.m. with the following members present:

Commissioner Elise Dennison
Commissioner Bill Polk
Mayor John Christian

Commissioner Jay Hurley and Commissioner David Knowles were absent. Also present were City Manager (CM) Al Minner, City Clerk (CC) Betty Richardson, Deputy City Clerk (DCC) Andi Purvis, the news media, and others.

Mayor Christian gave the invocation followed by the Pledge of Allegiance to the Flag of the United States of America.

CM Minner stated he wanted to walk through the budget with the Commission a little differently this year; not to go page by page but thought it would be good to change the focus to the City's enterprise funds. The schedule for the budget workshops will be Tuesday, July 29; Thursday, July 31; and Monday, August 4, all at 5:30 p.m. Tonight will be the Enterprise Funds for the Airport, a new one, the Communications Department, and some Public Works. He stated the budget staff is trying to get as conservative and cost effective as possible, but to also shift around and start developing some fund inter-dependence, trying to reduce reliance on transfers as much as possible to have effective and efficient utilities. Everyone knows about the transfer issues, but the other big cost to the utilities that help the general fund are cost allocations. This year there are zeroes in some old line items and new line items showing these costs broken down. Each of the enterprise funds are charged their share of cost for the general fund services; i.e. City Manager services, City Clerk services, Legal, Financial, HR and those other services housed in the general fund. This is done to show transparency and also to show the exact expenses those utilities have.

CM Minner stated the other big change to the budget this year is the creation of the Airport Enterprise Fund, at least proposing this on a staff level to the Commission for its approval. The big reason to create an Airport Enterprise Fund is to again create more transparency, less reliance on other fund revenue, and better capital planning. Without a doubt the airport fund gets the most grant monies through FDOT and FAA, which is a good thing, but there is also a false sense of security because these grants still costs the City good sums of money. In the past, staff has been good about finding those monies, but there have been burdens on the general fund, or shifted to the gas fund, to try to make those matching dollars. CM Minner thinks a better accounting will be to create an enterprise fund for the airport where we force ourselves to understand the airport needs to pay for itself on capital projects and if need additional monies, set up a system where the Commission will review and decide if whether or not to take that expense from another fund to match a grant. For an example, if Leo wants to build a light system, we may want to consider letting the airport enterprise fund monies do that. However, on the flip side, Leo may want to shift things around to build a hanger and may need hanger match money that is not in the budget, but a specific hanger may be connected to job creation and it may be worth taking some general fund dollars or other enterprise funding in the name of economic development.

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Mayor Christian asked if going with that analogy, will the airport then pay that money back if taken from another fund to pay for its projects. CM Minner stated yes.

Commissioner Dennison stated she thinks going forward with the economic development opportunities coming in, the City really needs to consider those and if a temporary loan is needed and it is going to amount to a number of high paying jobs, the City has to do it.

Commissioner Polk thought the Commission had already established an Airport Enterprise fund last year. Finance Director (FD) Bill Spinelli stated it was discussed but not voted on. CM Minner stated as long as the Commission approves the budget in this format, it is now set up as an enterprise fund. Commissioner Polk stated he thinks it is a good idea and all Commissioners agreed.

ENTERPRISE FUNDS:

Airport Manager (AM) Leo Treggi

AIRPORT:

Budget \$2,948,871

Commissioner Polk asked about the security access fees, parking, and storage fees. AM Treggi stated these are revenues for the newly created airport enterprise fund.

CM Minner stated all personnel amounts in the budget include a three percent salary increase for all staff.

Commissioner Dennison asked if the Airport Manager position is part-time or full-time and CM Minner replied full-time. Commissioner Dennison asked when the Airport Manager's salary will be readdressed. CM Minner stated if the Commission would like to address the issue now would be the time. He did not make a large adjustment for his salary; only the scheduled COLA. Commissioner Dennison stated she thinks there needs to be a discussion of a salary increase as AM Treggi was being paid a part-time salary and it does not look like there was much increase now that he is full-time and taking over the enterprise fund. Commissioner Polk thought his salary started out part-time at \$38,000 and moved to around \$50,000 when he made full-time. CM Minner stated AM Treggi's scheduled salary for FY 15 is \$55,702.

Mayor Christian asked if there is a salary survey. CM stated the draft is on his desk and he will have a report on Monday.

Commissioner Polk asked about the Executive Administrative Aide and AM Treggi stated it is for Pam Hester because she attends the Airport Advisory Board meetings. Budget Manager (BM) Brandy McDaniel stated the pay is allocated between the Airport and the General Fund.

Capital Projects:

Budget \$2,269,496

\$10,000 in reserve

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Commissioner Polk asked if anyone has thought about contracting out the major mowing and let the current employee do the plants and small mowing. AM Treggi stated it could be done if so directed. He stated there is room for improvements; however, it is looking better than it did last year. The ideal situation would be an additional part-time position. Commissioner Polk stated he would like to have a cost estimate on what it would cost for the major mowing instead of hiring another person.

Commissioner Polk asked AM Treggi what is a large item he would like to add to his budget. AM Treggi stated he does not know.

COMMUNICATIONS:

Communication Manager (CM) Jim Lemberg

Budget \$2,055,942

Mayor Christian left the meeting at 6:02 p.m.

Debt service includes final payoff to the Stormwater loan.

Capital Projects:

New customer installs

Relocations (FDOT widening of US 441 from Perkins to Newell Hill, Infrastructure to poles by owner requests [Duke, SECO, or County road projects], and others)

Network equipment replacements

Circuit tester

Router upgrades

Commissioner Polk stated on the poles, the rent money received from the cell phone companies, etc., will that go into this enterprise fund or the electric fund. CM Lemberg stated the pole attachment money goes to the electric fund and Communications also transfers money to the electric utility.

In summary:

General Fund transfer this year of \$50,000

Final payment of the Stormwater loan

No staff changes

Commissioner Polk asked what it would take to make Communications one hundred percent making good money; more people, money, what.

CM Minner stated obviously customer expansion, what can be done to bring on more customers; staff has been working on this and will have a more formal report within the next month or so. Expand the system through customer outreach could potentially be done by an additional person, salary between \$40,000 to \$50,000 and then work off commissions. If this person is aggressive with customer outreach and gets more hook ups, an estimated \$100,000 to \$125,000 a year will be needed for expanding the system. The system now is functional, it is working, not costing any money, not growing rapidly,

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but not dying on the vine either, it is plugging along. The other approach to look at are the rates for the three services; dark fiber, Ethernet and Internet. Leesburg's dark fiber and Internet fees are market competitive, about where they need to be and the Ethernet services, about sixty percent market low. Ethernet services are services the City provides to connect larger companies to them, for example, the City of Leesburg is its biggest Ethernet connection. Links between Police, Fire, Clerk, Manager, Finance, Electric, all those interconnections between all our hubs is a big chunk of Communication's Ethernet budget. If Leesburg bought this service from Comcast or CenturyLink, staff thinks the cost would be about a \$1,000 a month per circuit; our charge now is about \$449 per circuit. Leesburg's other big Ethernet customers are the School Board, the County, Lake Sumter State College, and the hospital. CM Minner stated politically, he thinks the City is in a good position to be able to increase those rates.

Commissioner Dennison asked how many fiber circuits Leesburg rents and if the City raises the prices to its customers, will it also raise its own rate. CM Lemberg apologized for not having that information available. CM Minner stated strategically, this staff would have to think about this. CM Lemberg stated total service the City buys is \$263,000. Commissioner Dennison stated if increased forty percent it would be about \$520,000. CM Minner stated he thinks the Ethernet services are about \$450,000 of the 1.7 million and of that the City of Leesburg is probably about a \$175,000 to \$200,000. So if the number increases, Communication's revenues will increase, but he thinks it is going to cost the City. He thinks there is a reasonable school of thought to increase rates on everyone but Leesburg. Commissioner Dennison stated the City should be able to do that since it paid for and installed the system.

Commissioner Polk stated to not hire a "sales person" to go out and promote the communication system at this time, since the City is looking to hire an Economic Development Director, is this something they can handle. Commissioner Dennison stated it will require a specialized person. Commissioner Polk agreed and suggested whoever is hired spend about two weeks with CM Lemberg to at least introduce them to the City's system. He stated Leesburg's customers should be paying market rate or slightly below market rate prices.

PUBLIC WORKS:

Public Works Director (PWD) DC Maudlin gave presentations on Water, Wastewater, Solid Waste, and Stormwater.

WATER:

Budget \$9,304,570

R&R balance 2.55 million

Cash balance 5.35 million (required reserve 2.27 million)

Leesburg operates two withdraw use permits (CUPs) issued by St. Johns River Water Management District. The City's main permit includes five water treatment plants and the water allocation for this year was 7.89 mgd (million gallons per day). Operation on average was 5.6 mgd, which is significant because from the economic development point of view, the City has water. Plantation is the second CUP; this one is for .98 mgd and

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Plantation this year operated at 1.03 mgd, which violates the CUP; normally a really bad thing. About eighteen months ago, staff notified the District that the Plantation CUP was not adequate, have been working with the District, and PWD Maudlin thinks within a few months, the City will be issued a CUP revision moving the Plantation CUP to somewhere between 1.2 to 1.4 mgd. Of the thirteen cities in Lake County, if looking at the cost per citizen for 10,000 gallons of water, kind of an average, Leesburg is third lowest in the County; only Clermont and Mt. Dora have a lower water rate.

26 FTE funded out of water utility.

Highlights:

- Balanced budget without wastewater loan payment
- Increased contract services – meter reading contract
- Senior Deputy Director position eliminated, no City Engineer
- Reduction in fuel costs – elimination of DSM
- Vehicle reduction

Commissioner Polk asked what is DSM and PWD Maudlin replied it is the fuel for the generators.

Capital Projects:

\$1,430,212

- Woodland Park water main
- Thomas Ave water main
- Turnpike HSP #2 rehab
- Sodium Hypo storage tank
- Well #16 rehab
- Sodium Hypochlorite conversion
- HVAC distribution building
- Reuse main extension, Dixie Ave

Commissioner Dennison asked the savings once convert from gas to sodium hypochlorite. PWD Maudlin stated it actually costs a little more to operate. Commissioner Dennison asked if this has gone out for bid so the city is not stuck purchasing from only one vendor. PWD Maudlin stated it is a competitive selection with multi-year contracts.

PWD Maudlin stated as to the R&R balance, staff will be spending \$807,000 this year the contribution is \$650,000. The current balance is 2.55 million and using \$1,057,000 will leave a balance of 2.39 million dollars. The Cash balance will drop from 5.35 million down to 4.59 million dollars.

Commissioner Polk stated the required reserve is 2.7 million and PWD Maudlin stated that is correct.

Commissioner Dennison stated she is glad to see the Dixie extension for reuse because of the massive things about to happen there. PWD Maudlin stated in addition to the City's CUP withdrawals, it is set up for a minimum of reuse that has to be used and the City is

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struggling to meet this requirement. The reason is not that it is not being produced; there is supply, but it cannot be distributed to those who want it.

Commissioner Polk asked, with that much money in balance, what is the City doing about older neighborhoods to upgrade their water lines. He stated he had a problem at his house, his neighbor has a problem and the older neighborhoods in Leesburg have old pipes.

PWD Maudlin stated staff is upgrading the areas where there is inadequate fire protection. They did cut a section of pipe, a two foot cast iron pipe, in front of Commissioner Polk's home and it was as clean as it could be. PWD Maudlin stated he was surprised, he thought they would be lucky to push a pencil through it.

Commissioner Polk stated it was open but somewhere in the system there is something wrong. Several of his neighbors cannot drink their water but he has a filter on his and changes it once a month so does not have a problem particularly, but if not changed, then it is a serious problem. He asked if staff is going around through these older neighborhoods and actually testing the water in front of these homes.

PWD Maudlin stated there is not a testing program as Commissioner Polk described; staff does do testing as required by permit.

WASTEWATER:

Budget \$11,195,521

R&R balance 4.17 million

Cash reserve 3.86 million (Required reserve 2.82 million)

Leesburg has two wastewater treatment plants, Canal Street, permitted for 3.5 mgd, which runs somewhere between 1.6 to 1.8 mgd and the permit comes up for renewal in 2015. The Turnpike facility is permitted for 4.5 mgd and runs right around 1 mgd. The Turnpike received a ten year permit, which is a big deal as permits are usually only five years. Leesburg has capacity for 8 mgd, and use is between 2.5 and 3 mgd, so again, like water, there is growth capacity.

Commissioner Polk asked where the water comes from for the 470 property and PWD Maudlin answered from the main water plant on 5th Street. PWD Maudlin stated with the pipe there now, about a million mgd could be added and still be okay for water and there is plenty of capacity for wastewater. If get much more than that, there are plans for a much larger water pipe to deliver water to the south area.

Leesburg also has permit for the bio solids waste disposal areas and those are monitored very carefully. There are 174 lift stations, all over the City which is a huge maintenance responsibility. In terms of rates, of the thirteen cities in Lake County, only ten provide sewer services and of those ten only one is lower than Leesburg, charge for disposal of 10,000 gallons, and that is Clermont.

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Eliminated the Laboratory Manager position and essentially outsourced the laboratory functions. Staff now collects samples and outsources them to a lab to be analyzed which is a savings of about \$45,000.

Highlights:

- Loan to Water & Gas paid in full
- Outsourced Laboratory
 - Eliminated lab manager position
- Senior Deputy Director Position eliminated
- Contract services increased – meter reading contract
- Eliminated one operator position
- Reduction in fuel costs – elimination of DSM
- Vehicle reduction

Capital projects:

\$1,693,500

- Rehab Lift Stations 16B & 22
- Loves Point lining replacement
- Meadow Street main
- Fountain Lake main
- Discharge pipes lift stations 106H & L
- Pump package lift stations 106K & L
- Camera truck equipment (half w/Storm Water)
- Generators Turnpike & LS 63
- Influent Sampler
- Project engineering (2 projects)
- Canal Street Permit renewal
- Canal Street bio-solids dewatering

Commissioner Dennison asked if the sludge can be burned and PWD Maudlin stated yes, Covanta is willing to burn it and willing to negotiate how much to charge the City to give it to them. He stated this would be an operating cost that is not in the budget, but it is offset partially by the cost of the City transporting it, running the truck five days a week, five times a day.

Commissioner Dennison suggested getting one of those energy companies out at 470 that burns it to use as fuel. PWD Maudlin stated he is meeting with a company who is willing. They take the sludge and process it into a cake and turn it into fertilizer filler, not high quality fertilizer, but a good place to start. Commissioner Polk asked if staff would still have to transport it to them. PWD Maudlin stated staff would only transport the cake, which would be like a twenty-five cubic yard dump truck a couple times a week, not a semi-trailer five times a day. Commissioner Dennison asked if the expense would be offset by the fact the City is selling these cakes to the fertilizer company and Commissioner Polk stated probably not. PWD Maudlin stated it is part of the negotiation, but the City will probably not be paid for hauling, but may get a discounted rate.

SOLID WASTE:

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Budget \$3,609,300
R&R balance \$100,000
Cash reserves \$1,772,826 (Required reserve \$913,000)
Debris Management Emergency Fund \$350,000 (rainy day fund)

PWD Maudlin stated the City's agreement with Lake County on solid waste disposal expired in June and the City now has a short term agreement with Covanta. The City was paying \$40 a ton to the County and now paying \$27.50 to Covanta. He stated they are in negotiations with Covanta on an annexation agreement which will also include some sort of long term solid waste disposal agreement.

On residential rates, there is one City, in the County, with a lower rate than Leesburg and the County's rate is lower for residential service, but their level of service is also lower.

On the commercial side it is really tough to compare, but several comparisons were done on a two yard container once a week or a three yard container twice a week, and in each case Leesburg is very competitive.

Commissioner Polk asked where it shows the City is going to change the recycling pick up. PWD Maudlin stated it was done last year; single stream. This is referring to the purchase of larger household containers with the idea if residents have a larger container they will put more in it. Commissioner Dennison has heard several people say they do not want the larger containers because of storage space. PWD Maudlin stated the main reason is to encourage more recycling, but maybe it can be made optional for the larger containers.

Highlights:

- New disposal agreement
- Review rates once operating expenses stabilize
- Recycle roll off container located downtown
- Deploy larger recycle containers
- Commercial front loader replacement (Really a Residential Side Loader)

STORMWATER:

Budget \$2,016,611
R&R balance \$789,000
Cash reserve \$2,121,000 (Required reserve \$397,225)

PWD Maudlin stated the Stormwater master plan is now updated and staff is trying to be more aggressive about cleaning ponds and developing stormwater projects. There is money to take care of these items and unlike Water or Wastewater, there are no huge infrastructure problems waiting to happen, like a plant ready to crash that will need millions of dollars to fix.

Capital Projects:
\$935,000

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- Drainage improvements
- Heritage Estates ditch improvements
- Curbs, gutters, & inlets
- Enclose Birchwood ditch line
- Conveyance systems
- Camera truck equipment (halved w/Wastewater)

Highlights:

- Stormwater master plan update completed
- Continue more aggressive management of facilities

Commissioner Polk asked where the water from Heritage Estates goes and PWD Maudlin stated there are pipes that go under Dixie and across to the other side.

Commissioner Polk stated there are several accounts with enormous reserves over the required amounts and asked PWD Maudlin and CM Minner their suggestions for these systems.

CM Minner stated he would like to get more acclimated with the community and where the Commission wants to go, but thinks the City needs to look long term. As mentioned, on the water side, staff needs to start looking at a more aggressive water change out program. He believes PWD Maudlin is committed to the reuse, and both these areas are where some capital dollars could be spent. Wastewater's big hurdle is to fix the sludge disposal system, that \$800,000 is just one plant; the City has two treatment facilities. Also, even though the City has low competitive rates, CM Minner thinks rate reduction is something to be looked at, as the City always wants to be a competitive utility provider. PWD Maudlin stated he hopes to have the water rate study completed in the next couple weeks and had concerns six months ago when water was losing \$500,000 in revenue, so this situation will have to be dealt with before too long. There is not a viable leak detection program now, so if there are water leaks at connections staff is not aware of how much revenue is being lost. Water also does not have a real good meter replacement program; staff is replacing meters and will continue to replace meters, but needs to work on getting a more regimented meter replacement program. He stated the issue of inadequate fire protection in some neighborhoods is a serious problem which needs to be worked on. Staff is addressing this issue and will come back next year with a couple more areas. One other issue just had the sixty percent plan review meeting this week with the firm designing the new Plantation Water Treatment Plant and the last estimate received was right at four million dollars. There is three point two million dollars in bond funds, so staff will probably ask for about \$800,000 out of cash reserve or R&R for this project. PWD Maudlin stated staff is being aggressive without being foolish.

Commissioner Dennison stated when times were good, years ago, everyone wanted to spend like crazy and she likes the way PWD Maudlin is looking at this. Commissioner Polk stated he does not want to spend wildly, but does not want to hold staff back to the point if they need to go another 100 more yards for reuse or anything.

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PWD Maudlin agreed. He stated he wants to be aggressive, but wants to be careful about how it is accomplished. Staff knows there are some things that need to be worked on and replacement of iron piping is one.

Commissioner Polk agreed the pipes looked good, but stated the problem is coming from somewhere. He suggested possibly staff could start a neighborhood spot check occasionally just to see what is happening; staff is not doing its own water testing, so bag some water and get it tested.

Commissioner Polk stated the City Manager is lucky to have PWD Maudlin and all his department directors. CM Minner agreed.

ADJOURN:

The meeting adjourned at 7:23 p.m.

Mayor

ATTEST:

Betty M. Richardson
City Clerk

J. Andi Purvis
Recorder